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Attorneys for the Complainant

BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
OF THE STATE OF CALIFORNIA

In the Matter of:)	STIPULATION TO ENTRY OF
)	DESIST AND REFRAIN ORDER
THE COMMISSIONER OF BUSINESS)	
OVERSIGHT)	
)	
Complainant,)	
)	
v.)	
)	
HILLS BANCORPORATION,)	
)	
Respondent.)	
)	

This Stipulation to Desist and Refrain Order (Stipulation) is entered into between the Commissioner of Department of Business Oversight (Department) and Hills Bancorporation (Respondent) (collectively the Parties). This Stipulation is made with respect to the following facts:

RECITALS

A. The Department has jurisdiction over the offer and sale of securities in this state pursuant to the Corporate Securities Law of 1968 (Corp. Code, § 25000 et seq.) (CSL).

B. Hills Bancorporation is a registered bank holding company that wholly owns Hills Bank and Trust Company (Bank), which engages in commercial banking. Its principal place of business is 131 East Main Street, Hills, Iowa 52235.

1 C. In a 2011 offering, Respondent sold 1,320 shares of common stock to six California
2 residents at the offering price of \$63.00 per share (California Sales). The purpose of the offering
3 was to further capitalize the Bank, to allow for periodic repurchases of common stock to create
4 liquidity for shareholders as necessary, for working capital and other general corporate purposes, and
5 to fund potential future acquisition opportunities.

6 D. The California Sales were offered or sold in this state in issuer transactions. The
7 Department of Business Oversight had not issued a permit or other form of qualification authorizing
8 any person to offer or sell these securities in this state pursuant to the CSL.

9 E. It is the intention and desire of the Parties to resolve this matter without the necessity
10 of a hearing or other litigation.

11 **TERMS AND CONDITIONS**

12 1. Desist and Refrain Order. Respondent agrees to issuance of a Desist and Refrain
13 Order under CSL section 25110 (Order) directing Hills Bancorporation to desist and refrain from the
14 further offer or sale of securities in California, unless and until qualification has been made or unless
15 said offers and sales are otherwise exempt, under the CSL. A true and correct copy of the Order is
16 attached hereto and incorporated herein by reference as **Exhibit 1**.

17 2. Waiver of Hearing Rights. Respondent waives the right to any hearing, including that
18 provided by CSL sections 25532, subdivision (d), and 25609. Further, Respondent waives any and
19 all review by a court of law, including that provided by California Government Code section 11523.

20 3. Future Offerings. Respondent agrees that any and all future offerings will be
21 conducted pursuant to a valid permit or other form of qualification issued by the Department, unless
22 otherwise exempt, under the CSL.

23 4. Exemption Notices. Respondent agrees to timely file any exemption notices upon
24 which it may rely in any future offer or sale of securities in California.

25 5. Final Order. Respondent agrees to the finality of the Order. Respondent further
26 stipulates that the Order remains in effect and is public, and that Respondent shall not make any
27 statement or representation that is inconsistent with this Stipulation or the Order.
28

6. Voluntarily Entered. Respondent enters into this Stipulation voluntarily and without coercion and acknowledges that no promises, threats or assurances have been made by the Commissioner or any officer, or agent thereof, about this Stipulation.

7. Order Enforcement. Respondent agrees that this Stipulation shall not limit the ability of the Commissioner to bring any administrative or civil action to enforce compliance with the Order attached hereto or seek penalties for its violation.

8. Future Action. Respondent agrees that this Stipulation does not prevent the Commissioner from taking future action in regards to this matter.

9. Commissioner's Duties. Respondent agrees and acknowledges that nothing in this Stipulation shall preclude the Commissioner or her agents, officers, or employees, to the extent authorized by law, from referring any evidence or information regarding this matter to any other state or federal law enforcement official, or from assisting, cooperating, or co-prosecuting with regards to any investigation and/or action.

10. Binding. The Parties agree that this Stipulation is binding on the Department and Respondent, but does not bind any federal or other state agencies or any other law enforcement agencies.

11. Waiver. The waiver of any provision of this Stipulation shall not operate to waive any other provision set forth herein, and any waiver, amendment or change to the terms of this Stipulation must be in writing and signed by the parties.

12. Full Integration. This Stipulation is the complete and exclusive statement of all the agreements, conditions, promises, representations, and covenants between Respondent and the Commissioner with respect to the subject matter hereof, and supersedes all prior or contemporaneous agreements, negotiations, representations, understandings, and discussions between and among the Parties, their respective representatives, and any other person or entity with respect to the subject matter covered hereby.

13. Effective Date. This Stipulation shall not become effective until signed by all parties and delivered by the Commissioner's counsel by certified mail to the Respondent.

14. Certified Mail. Respondent agrees that the delivery via certified mail of the executed Stipulation and Order to Respondent shall constitute valid service of the Stipulation and Order.

15. Counterparts. This Stipulation may be executed in one or more counterparts, each of which shall be an original but all of which, together, shall be deemed to constitute a single document. A faxed signature shall be deemed the same as an original signature.

16. Independent Legal Advice. The Parties represent, warrant, and agree that they have received independent advice from their attorneys or representatives with respect to the advisability of executing this Stipulation.

17. Headings and Governing Law. The headings to the paragraphs of this Stipulation are inserted for convenience only and will not be deemed a part hereof or affect the construction or interpretation of the provisions hereof.

18. Settlement Authority. Each signator covenants that he or she possesses all necessary capacity and authority to sign and enter into this Stipulation.

JAN LYNN OWEN
Commissioner Business Oversight

Dated: 3/7/17

By: _____
Mary Ann Smith
Deputy Commissioner, Enforcement Division

HILLS BANCORPORATION

Dated: 3/7/17

By: _____
Shari J. DeMaris
CFO & Corporate Secretary